

Message Text

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PAGE 01 HONG K 10348 200848Z

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ACTION EA-13

INFO OCT-01 SS-14 ISO-00 EB-03 NSC-07 NSCE-00 COME-00

CIAE-00 INR-11 NSAE-00 RSC-01 TRSE-00 L-02 DRC-01

/053 W

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R 180453Z SEP 74

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 2256

INFO USLO PEKING

C O N F I D E N T I A L HONG KONG 10348

LIMDIS

E.O. 11652: GDS

TAGS: EMIN ETRD BDIS EEWT CH US

SUBJ: CONTROLS ON STEEL SCRAP EXPORTS TO THE PRC

REF: A) STATE 196158; B) PEKING 1559

1. THE PRC COULD PROBABLY USE MOST, IF NOT ALL, OF THE UNDELIVERED STEEL SCRAP THAT IT HAS CONTRACTED FOR (SOME 400,000 TONS). HOWEVER, IT SEEMS VERY DOUBTFUL THAT US COMPANIES WOULD BE WILLING TO FULFILL THOSE OLD CONTRACTS EVEN IF THERE WERE NO QUESTION OF SHORT SUPPLY EXPORT CONTROLS BECAUSE THEY WOULD LOSE MONEY IF THEY DID. IT ALSO SEEMS UNLIKELY THAT THE PRC REALLY EXPECTS THEM TO DO THAT.

2. THE USG SHOULD NOT GIVE THE PRC PREFERENTIAL TREATMENT NOT ACCORDED OTHER CUSTOMERS. HOWEVER, THE USG SHOULD TRY TO BE RESPONSIVE IN A LIMITED WAY AS THE PRC HAS TAKEN UP THE MATTER WITH US ON A GOVERNMENT -TO-GOVERNMENT BASIS.

3. WE, THEREFORE, RECOMMEND THAT (A) THE PRC BE ALLOTTED SOME 41,000 TONS FROM THE FOURTH QUARTER CONTINGENCY ALLOCATION. (THAT IS DOING LITTLE MORE THAN WE DECIDED TO DO WITH THE FIRST QUARTER CONTINGENCY ALLOCATION, WHICH THE
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PAGE 02 HONG K 10348 200848Z

PRC DID NOT AVAIL THEMSELVES OF.)

(B) THE USG ACCORD PRIORITY FOR EXPORT LICENSES TO THOSE FIRMS UNJURED BY THE ORIGINAL REGULATIONS.

(C) THE USG EXHIBIT SOME FLEXIBILITY ABOUT WHAT CONSTITUTES A "NEW CONTRACT". (THIS MIGHT GIVE THE PRC LEVERAGE IN NEGOTIATING WITH US FIRMS OVER THE QUESTION OF UNFULFILLED CONTRACTS.)

(D) WE TELL THE PRC OF THESE DECISIONS AS SOON AS POSSIBLE IN ORDER THAT ANY BURDEN FOR EXPORT REST CLEARLY WITH THE PRC AND THE US COMPANIES INVOLVED AND NOT WITH THE USG.

4. IF THE SHORT SUPPLY CONTROLS ON SCRAP EXPORT CONTINUE INTO 1975, WE MIGHT CONSIDER USING A BASE PERIOD THAT COVERS THE FULL CALENDAR 1973. PRC IMPORTS FOR CY 73 WERE 434,000 TONS VICE 121,000 TONS IN THE FIRST HALF. SHORTENING THE BASE PERIOD BY BRINGING THE BEGINNING DATE FORWARD MIGHT ALSO HELP THE PRC.
CROSS

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